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BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
WASHINGTON, DC

DEPARTMENT OF TRANSPORTATION

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In the Matter of

AMERICAN SOCIETY OF TRAVEL AGENTS, INC.

And

JOSEPH L. GALLOWAY

Complainants

v.

Docket OST-99-6410 ~ 3

UNITED AIRLINES, INC., AMERICAN AIRLINES, INC.,
DELTA AIRLINES, INC., NORTHWEST AIRLINES,
INC., CONTINENTAL AIRLINES, INC., US AIRWAYS,
INC., TRANS WORLD AIRLINES, INC., AMERICA
WEST AIRLINES, INC., ALASKA AIRLINES, INC.,
AMERICAN TRANS AIR, HORIZON AIR INDUSTRIES,
INC., MIDWEST EXPRESS, INC., AIR CANADA, KLM
ROYAL DUTCH AIRLINES, TACA INTERNATIONAL
AIRLINES, INC., and AIR FRANCE

Respondents

ANSWER
OF
KLM ROYAL DUTCH AIRLINES (KLM)

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December 10, 1999

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Respondents

**ANSWER
of
KLM ROYAL DUTCH AIRLINES (KLM)**

**KLM Royal Dutch Airlines (KLM) respectfully submits the following answer
to the complaint of the American Society of Travel Agents, Inc. (“ASTA”), and
Joseph Galloway against KLM, Docket No. OST-99-6410.**

**ASTA and Mr. Galloway allege that KLM’s travel agent compensation rates
constitute an unfair method of competition in air transportation or the sale of air
transportation, within the meaning of 49 USC 4712. ASTA and Mr. Galloway**

request the Secretary of Transportation to order KLM, among others, to cease and desist from continuing such practices.

KLM denies its travel agent compensation rates constitute an unfair method of competition in air transportation or the sale of air transportation, within the meaning of 49 USC 4712. In this connection KLM notes that it is a designated carrier pursuant to the US-Netherlands Air Transport Services Agreement of September 1992, the first US Open Skies Agreement. KLM's freedom to determine or match fares, rates and charges in air transportation, including agent compensation, is a cornerstone of that agreement.

The US-Netherlands Open Skies Agreement, among other US initiatives, unleashed new market forces and dynamics. These market forces, along with new technologies such as the Internet and the World Wide Web, have paved the way for fundamental changes in the sale and marketing of foreign air transportation.

It is the consequences of the competition resulting from these new market forces that lie at the heart of ASTA and Mr. Gallo's allegations. Competition puts pressure on KLM and its rival carriers to lower prices. Lower prices put pressure on KLM to cut costs. Lower costs enable KLM to offer lower prices. This process in turn makes the market more efficient. The social benefits that accrue to these market efficiencies are precisely what US policy has sought to achieve in its international aviation policy.

As such, it is unthinkable that the US would require KLM and its competitors to reinstate costs and former business practices in order to preserve a way of doing business that is a product of a regulated era.

KLM gratefully acknowledges that many travel agents serve important functions, provide public benefits and contribute to the growth of a healthy air transportation system. Many agents are adapting to the new market condition. There are many new services and innovations being introduced by ASTA members. KLM welcomes and embraces such new developments.

However, KLM does not believe that market efficiencies and innovation will be encouraged by DOT-imposed rules designed to support ASTA members with government-imposed compensation, security rules, training policies, CRS displays, passive segment payments, settlement practices and/or blanket ticket rule waiver authority.

In conclusion, KLM respectfully denies its travel agent compensation rates constitute an unfair method of competition in air transportation or the sale of air transportation, within the meaning of 49 USC 4712. For the foregoing reasons, KLM urges the DOT to dismiss KLM from this action.

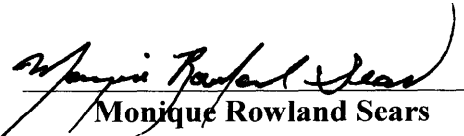
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'P. Mifsud', written over a horizontal line.

**Paul V. Mifsud
Vice President, Government & Legal Affairs-U.S.
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December 10, 1999

I hereby certify that, on this 10th day of December, 1999, I served a copy of the foregoing document of KLM Royal Dutch Airlines, on the following individuals shown on the attached list, by First Class mail, postage prepaid.



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